

THE CONTEMPORARY ROLE OF STRATEGIC MARKETING PLANNING

How [Marketing Strategies](#)
Can Improve Business Performance

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STRATEGIC MARKETING PLANNING

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INTRODUCTION

1

Unilever, Lego or Starbucks are not only successful companies due to powerful advertising campaigns, unrelenting dedication to innovation or immersive experiences. What they have in common is that they are marketing oriented.

The purpose of this document is to emphasise the crucial importance of strategic marketing planning in the development of business activity of the twenty-first century. The critical analysis will be conducted along with a review of available specialised literature in order to provide a context and clarify some key concepts surrounding this discipline. In addition, examples of real companies which have succeeded in establishing these types of strategies will be used, translating concepts into practice.

The study will start delving deep into the growing challenges facing marketing in times of globalisation, to continue defining what is strategic marketing planning and listing some of the advantages each phase of the process brings to the companies that decide to implement it.

MARKETING CHALLENGES OF GLOBALISATION

According to Crittenden and Crittenden, the world has changed and companies need to understand, as well as operate in, the global competitive market" (2012: 216). Nowadays, globalisation is generating worldwide markets in which production and distribution create large economies of scale, putting pressure on those companies that do not have a global scale performance (Farley, 1997).

It is a fact that globalisation is one of the greatest challenges facing a company

today. However, there are different approaches to how this issue should be dealt with from the marketing point-of-view. Paypal's Head of Consumer Marketing, Patrick Adams, advocates for implementing regional teams which know the customer in detail and are immersed in the culture of each country (Adams, 2016). On the other hand, Seth Farbman, Chief Marketing Officer of Spotify, believes that the marketing strategies of a global brand should be centralised for greater clarity, effectiveness and efficiency (Farbman, 2016). *Glocal* strategies, in the meantime, are presented as a happy medium linking both global and local. In this sense, companies like Starbucks establish global strategies with local elements, such as design, which is adapted to the different cultures and to the tastes of each area (TV Choice, 2015).

Although companies in today's economy can benefit from some opportunities offered by globalisation, such as the implementation of new strategies or innovative products on a global scale once their success has been proved in certain markets (Hooley et al., 2017), they also face numerous threats. Ferrell and Hartline (2011) highlight media fragmentation, shifting demand patterns, and privacy and ethical concerns, as well as the increased power of costumers, who have access to more information and can compare more easily.

However, they indicate that the biggest challenge companies face is the so-called *commodity hell*. When the products and services become commodities, without more differentiation than price, the only way to get out of *hell* is with innovation and developing a distinctive brand position through marketing strategy. It is here, precisely, where strategic marketing planning has a key role in the success of business.

STRATEGIC MARKETING PLANNING DEFINITION

2

Kotler and Armstrong define strategic marketing planning as “the process of developing and maintaining a strategic fit between the organization's goals and capabilities and its changing marketing opportunities” (2016: 64). Within strategic marketing planning, audiences, competitors and internal factors are the key elements (Drummond, Ensor and Ashford, 2008). Taking these factors into account, companies can develop action plans in order to maximise their competitive advantages (Ranchhod, 2004), since after analysing the environment and customer needs, it is possible to determine which specific segments to attend and identify points of differentiation with the competence (Drummond, Ensor and Ashford, 2008).

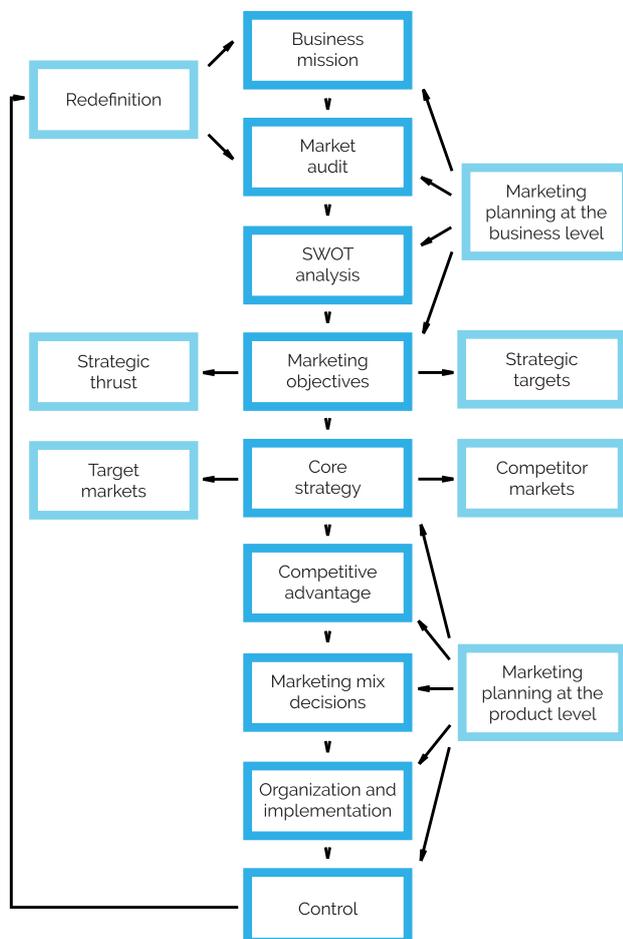


Figure 1. Strategic Marketing Planning process.

West, Ford and Ibrahim (2015) suggest that the way to achieve corporate goals is via analysis, formulation and evaluation. While Kotler and Armstrong (2016) distinguish planning and implementation within the formulation phase, other authors propose more elaborate processes (Figure 1, Jobber, 2010: 40). Lastly, the model of Ranchhod (2004) gives special importance to feedback and iteration among the different phases.

Although the phases comprising the marketing planning process vary depending on the authors, they agree in stressing the importance of the strategic marketing process and the advantages that each phase of the process brings to the companies that apply it.

ADVANTAGES OF STRATEGIC MARKETING PLANNING

KEEPING FOCUSED ON THE COSTUMER

Marketing planning begins with the establishment of the corporate mission, which is the “statement of the organisation's fundamental purpose” (Wood, 2017). Wilson and Gilligan (2013) understand it as an invisible hand that guides the company, giving purpose and direction, but that should not remain in strong declarations (too general, ambitious or similar) but be meaningful and implementable.

A correct definition of the mission helps the company to achieve its corporate goals and to give consistency and harmony to all business activity. Nonetheless, many companies make the mistakes of not defining their business properly and not being customer-oriented, which leads them to establish incorrect mission statements and fall into marketing myopia.

Levitt (1960), who coined the concept of marketing myopia, exemplifies it with the Hollywood film industry which, instead of being oriented to the entertainment business, limited itself to creating films.

However, many other contemporary companies have also fallen into the error of selling products instead of satisfying customers. This is the case, for example, of the Encyclopaedia Britannica, which believed was competing in the printed encyclopaedias market until it discovered that its real competitors were the Internet and CD-ROM-based encyclopaedias such as Encarta (Kotler et al., 2005). The Home Depot or IBM would also incur marketing myopia if, when establishing their mission statements, these were "we sell tools and home repair and improvement items" and "we make computer hardware and software" instead of "we empower consumers to achieve the homes of their dreams" and "we provide technology solutions that help customers build a smarter planet" (Kotler and Armstrong, 2016: 65).

Mission statements are the starting point on which companies base their activity, so they must be focused –and updated– to meet customer's needs. Ferrell and Hartline show how some companies –such as Southwest Airlines– have not modified their customer-oriented statements in decades, while others –like Intel– have adapted their corporate mission over the years to approach customer's needs (Figure 2, 2011: 34-36).



Southwest Airlines
Dedication to the highest quality of Customer Service delivered with a sense of warmth, friendliness, individual pride, and Company Spirit.

–and strategies that arise from them– will be more focused. Consequently, business activity will be more effective and efficient in the use of resources.

When analysing the environment, companies must take into account both the macro environment and the micro environment and use different tools and analyses in order to get a global picture of everything that surrounds –and may affect– the activity business. "The analytical part of such plans often begins with a SWOT (strengths, weaknesses, opportunities and threats) analysis" (Ranchhod, 2004: 6). After analysing the micro environment, carrying out a PESTLE analysis helps to get a bigger picture, by taking into account political, economic, socio-cultural, technological, legal and environmental factors (West, Ford and Ibrahim, 2015).

Other analyses such as Porter's Five Forces, Product Life Cycle or Strategic Groups allow companies to analyse the industry in which they operate. The first distinguishes the five keys to analyse the industry's competition, which are the threat of entry, the power of suppliers, the power of buyers, the threat of substitutes and rivalry among existing competitors (Porter, 2008). The second is "based on its ability to

Intel Corporation

1995 Do a great job for our customers, employees, and stockholders by being the preeminent building block supplier to the computing industry.

2000 Intel's mission is to be the preeminent building block supplier to the worldwide Internet economy.

2009 Delight our customers, employees, and shareholders by relentlessly delivering the platform and technology advancements that become essential to the way we work and live.



Figure 2. The Strategic Marketing Planning process.

■ GIVING BUSINESS INTELLIGENCE ■

In order to establish a strategic marketing plan, it is vital that decisions be made based on data and analysis, i.e. business intelligence. In doing so, decisions will be based on due consideration and objectives

describe the strategic issues and key objectives that should be considered during each phase of a product's life": introduction, growth, maturity and death (Ferrell and Hartline, 2011: 215). The last analyses firms from the same industry that have similar

strategies, such as Pepsi and Coca-Cola, which use mass advertising and packaging –but not price– to compete (Hooley et al., 2017).

Wilson and Gilligan (2013) illustrate with examples the importance of conducting a comprehensive environmental analysis, and a correct identification of competition and technological threats. In 1948, the Swiss watchmaking industry had 80% of world sales. In less than forty years, it was reduced to 13% due to the powerful Asian market that revolutionised the market by launching cheaper and more technologically advanced watches. On the other hand, Starbucks has managed to unite marketing research and customer engagement in a creative way by launching *My Starbucks Idea*, a tool to know customers' opinions and receive business ideas (TV Choice, 2015).

FOCUSING EFFORTS

After analysing the environment, companies must examine audiences and define the targets whose needs and wants they will try to satisfy. The first step is to segment –or to break the market down into groups– through behavioural, demographic, psychographic or geographic factors, or a combination of them (Ferrell and Hartline, 2011). For example, Lego segments demographically, positioning its Duplo rattles in children up to 3 months, round-edged activity toys in children up to 18 months and Duplo construction kits in children up to 5 years. From the age of five, the company combines segmentation by

age and interests, bringing to market Lego Basic Pirates, Railways, Technic, etc. (Kotler et al., 2005).

Once the market is segmented, companies may target audiences according to segment attractiveness and company fit (Kotler et al., 2005). Figure 3 (Ferrell and Hartline, 2011: 182) shows the different targeting strategies that a company can carry out. In this way, companies can focus efforts only on the most interesting segments. This becomes of vital importance nowadays, when financial departments ask to justify each budget line.

After targeting, companies should find a point of differentiation from the competition, a Unique Selling Proposition (Kotler et al., 2005). Defining the right competitive advantages positions the company in the minds of costumers –Red Bull away from soft drinks or Toyota as an eco-friendly company thanks to its hybrid cars (Kotler et al., 2005)–; but also allows to guide strategies. For example, Walmart's positioning statement is "We sell for less" and the company manages to keep prices low by controlling distribution and negotiating with suppliers (Ritson, 2002, cited in Wilson and Gilligan, 2013). Another example is the move from Austin Rover to Rover Cars in 1988 extracted from Hankinson and Cowking (1993). The repositioning of the company –called *Roverization*– was based on reorienting the company to wealthier segments, moving away from the poor-quality image of Austin and focusing its strategies on total quality programs and the development of new products.

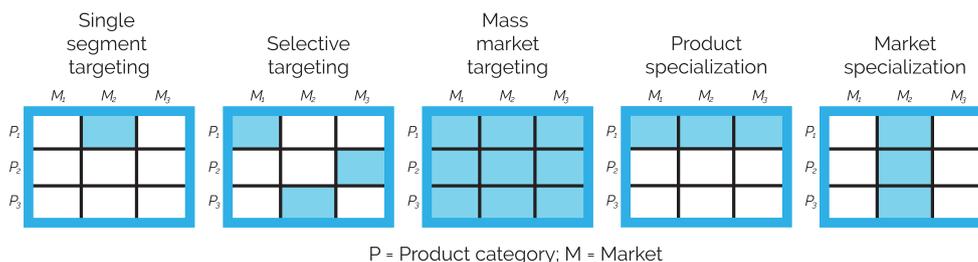


Figure 3. Targeting strategies.

MAKING DECISIONS AND ALLOCATING RESOURCES

5

The successful implementation of the positioning is achieved through appropriate marketing-mix strategies, but to put them into practice it is essential that companies first establish the objectives they want to accomplish. To facilitate their achievement, these objectives must be SMART: Specific, Measurable, Assignable, Realistic and Time-related (Doran, 1981). Thus, companies must make decisions regarding Product, Price, Promotion and Place (McCarthy, 1960).

PRODUCT STRATEGY

With the product portfolio planning companies seek "methods for assessing the balance of business in its portfolio and to help guide resource allocation between them [...] in terms of cash flow, future prospects and risk" (Hooley et al., 2017: 36). One of the most widely used methods is the BCG matrix, classifying the products as stars, cows, dogs and question marks according to the share and market growth (Morrison and Wensley, 1991). However, some companies have suffered when choosing their portfolio of products due to brand stretching. For example, the image of Starbucks suffered when they started selling products such as wine, soft drinks or sandwiches (TV Choice, 2015).

Once the product portfolio has been chosen, it should be differentiated from the generic product, augmenting it by quality, packaging, branding or servicing (Hooley et al., 2017). Some examples are the 7 years of warranty of KIA, Volvo's premium security, or Absolut Vodka's packaging, whose bottle has become an icon and much of its success (Kotler et al., 2005). The importance of augmenting the product lies in enabling companies to find the competitive advantages that differentiate their products

from the competition and in leading customers to action.

PRICING STRATEGY

Regarding the Price, the crucial point is that each company implements the pricing policy that most matches its business model. There are different pricing methods, from the simplest ones such as cost-plus pricing and going rate pricing to perceived value pricing, where the customer is taken into account (Hooley et al., 2017). Among the promotional pricing strategies, the authors highlight psychological pricing (€ 1.99), seasonal sales, coupons and money-back offers or loss leaders –selling below costs to attract customers to other offerings. However, there are many more ways to set prices. Walt Disney World, for example, implements a three-tiered pricing: peak pricing on holidays, regular pricing on non-peak weekends when demand is usually high and value pricing on non-peak weekends when it is not. In this manner, the flow of visitors is assured throughout the year and customers benefit from shorter queues (Wood, 2017).

PROMOTION STRATEGY

Different communication tools such as advertising, public relations, sales promotions, personal selling, direct marketing or sponsorships allow companies to create awareness, interest, desire and, ultimately, to make the customers take action and purchase the product. Figure 4 shows the effectiveness of each tool for each phase of the AIDA model (Hooley et al., 2017: 288). Thus, each company must decide the most convenient communication mix for each product. For example, due to pre-testing, Unilever reoriented Lynx/AXE advertising from a stereotypical usage and began targeting millennials. For its part, Marmite uses sales promotions and

publicity as the basis of its communications mix. In Easter, they gift superhero egg cups and for the ninetieth anniversary of Elizabeth II, they publicised having been awarded with the Royal Warrant (Wood, 2017).

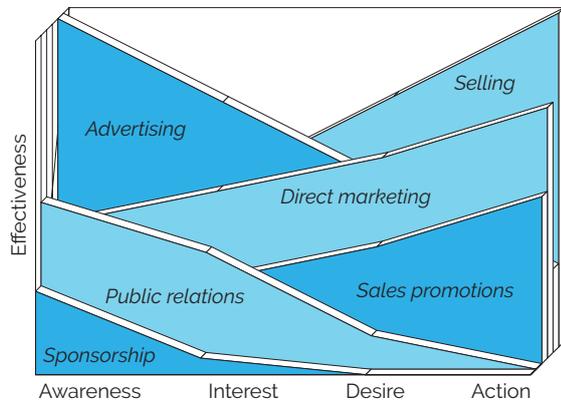


Figure 4. Communications effectiveness.

PLACE STRATEGY

In order to establish a place strategy, companies must establish the length of their distribution channel, in other words, how many intermediary levels each product will have. The decision can go from zero-level channels –or direct channels– to multi-channel by adding "agents, wholesaler or retailers before they reach the final customer" (Wood, 2017: 158). Lego, for example, by launching its own stores, partially reduced the number of intermediaries. However, the company had to convince its retailers –who complained about becoming competition– of how they could benefit from the improved brand image (Kotler et al., 2005). On the other hand, Ferdows, Lewis and Machuca (2003) illustrate that a large part of the success of Zara lies in the total supply chain and its full control of the distribution chain through vertical integration.

Furthermore, companies have to decide about distribution intensity: exclusive, selective or intensive distribution, depending on their marketing objectives (Wood, 2017). Kotler et al. (2005) cite as an example of the exclusive distribution car brands such as Rolls-Royce or luxury

clothing brands like Prada or Giorgio Armani. The selective distribution is exemplified with Whirlpool or AEG, with dealer networks and a few retailers; and the intensive distribution with brands such as Nestlé or Coca-Cola, who need their products available as widely as possible.

LEARNING FROM MISTAKES AND REDEFINING STRATEGIES

In the future, the success of a marketing campaign will not be so linked to having a good strategy, but to its effective implementation and control (West, Ford and Ibrahim, 2015). The last part of a marketing plan has to do with monitoring progress and possible corrective actions (Kotler et al., 2005). Wood (2017) recommends starting by identifying the KPIs (Key Performance Indicators) arising from the establishment of objectives, and using metrics, forecasts, budgets and schedules to measure the implementation of the marketing plan. With these tools, companies may detect errors in the marketing plan and redefine the strategies in order to avoid incurring them again. Thus, companies improve the efficiency of their actions and, at the same time, the efficiency of these, by saving resources.

CONCLUSION

By carrying out detailed analyses of the environment, the firm and the customer, companies better understand the context in which they work. Thus, they can discover how to best meet the needs of customers and find competitive advantages in which to focus their strategies. Finally, they reach the audiences they previously selected through a series of marketing mix decisions and are able to benefit from feedback with which to carry out corrective measures for the future.

As seen above, strategic marketing planning gives companies the necessary

tools and structure to make decisions. In this way, companies that embrace this strategic process will have more chances of success in their business activity, since decisions will not be based on opinions or tastes, but on intelligence and data. Thus, they can justify their decisions to their stakeholders and, more importantly, better satisfy the needs of their audiences, the ultimate goal of the corporate activity.

Nevertheless, the challenges of strategic marketing planning involve determining how the process is carried out, as well as to what extent it is adopted by small and medium-sized enterprises, and not only by large multinationals in global markets.

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